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INTERNATIONAL SL-1 USERS ASSOCIATION

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Office of the Secretary
Federal Communications Commission
Washington, D.C. 20554

RE: CC Docket No. 93-292 Comments On Proposed Rulemaking
on Toll Fraud

Commissioners,

My name is Gary Jensen, Manager of Voice Communications for Walgreen Co., Deerfield, Illinois and Chairman of the International SL-1 Users Association, Unauthorized Access Committee (ISLUA-UAC). I coordinate the toll fraud prevention interests for my company and for the 3000 members of our association who manage over 20,000 Northern Telecom PBX and Key telephone systems world-wide. The purpose of this letter is to provide the FCC with comments on the proposed rulemaking on toll fraud.

Before I lay out our comments in detail, I want to editorialize for a moment about the seemingly growing perception that recent activities of the FCC, manufacturers, carriers, insurance providers and others have been successful in curbing the Customer Premise Equipment (CPE) toll fraud problem. As the Chairman of the ISLUA-UAC, I frequently have contact with members who have been victimized by toll fraud. Since the En Banc hearing on toll fraud, I have seen a dramatic increase in the number and magnitude of toll fraud losses that have come to my attention.

In fact, my company has been the victim of toll fraud twice in the last 12 months. I reluctantly admit to our losses only to emphasize that I consider myself extremely knowledgeable about toll fraud. I have a detailed toll fraud audit program in place and my employees have toll fraud responsibilities included in their performance standards. I have arranged toll fraud educational programs for my staff and I have met with my carriers and manufacturers to learn what I should do to protect our firm. We even routinely "hack" all of our switches to try and beat our own defenses before someone else does.

The point I want to stress is that the hackers and "call-sell operators" beat ME. How could less experienced CPE owners ever protect themselves completely in today's environment? How can CPE owners continue to be held 100% responsible for CPE toll fraud?

TOLL FRAUD LIABILITY

It is the opinion of the ISLUA membership that toll fraud liability

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can not legitimately continue to fall only on the shoulders of CPE owners. Even the most experienced owners are still vulnerable to toll fraud because of the flexibility of PBX systems and the fierce adaptability of hackers and organized criminals. The ISLUA-UAC feels strongly that liability should be shared among the groups that are responsible:

1. CPE Owners - 25%
2. Long Distance Carriers - 25%
3. Local Exchange Carriers (LEC) - 25%
4. Manufacturers - 25%

In addition to the above liability formula, foreign PTT's should not be paid for toll fraud terminating in their countries. They have little incentive to stop toll fraud and actually benefit greatly from the revenues generated by this illegal activity. If telephone service to these high-fraud countries was curtailed or severely limited, they would reconsider their positions and become more active in toll fraud prevention.

Not much attention has been given to LEC's, but they have the most to gain from unchecked CPE toll fraud (they get paid no matter who is at fault) and they have the least to lose (by tariff, they only must pay back the LIDB lookup charge). LEC's must share liability, because most fraud originates from their payphones or from other subscriber lines. They carry every toll fraud call from origination to completion, they have the greatest ability to detect fraudulent patterns and they don't pay enough attention to toll fraud today. Without some liability, LEC's will continue to only pay lip-service to the entire toll fraud issue. In addition, LEC's provide telephone service for many end users in the form of Centrex service. Toll fraud is a prevalent problem for Centrex users and LEC's must share in the responsibility for detection, monitoring and prevention of toll fraud.

If CPE manufacturers had come to the forefront and seriously addressed toll fraud at all levels of their organizations, then the FCC wouldn't need to consider them when calculating toll fraud liability. If all manufacturers of CPE equipment had immediately made the investment to disable high fraud potential features on new systems, regulation wouldn't be necessary. However, the action by manufacturers has been incomplete and insufficient to provide comprehensive toll fraud prevention. Little or no action has been taken to provide toll fraud prevention software upgrades for older versions of software, requiring smaller customers to fund extensive upgrades to get these features. Liability sharing would provide manufacturers the financial incentive to implement comprehensive solutions for all of their customers.



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Some long distance carriers (like Sprint & MCI) stepped up to the FCC challenge to improve network toll fraud monitoring capabilities. Sprint has implemented very effective customer-specific monitoring capabilities (many at no charge to the customer) and I understand MCI is working on a number of capabilities to allow customers to choose the amount of toll fraud exposure they want to assume liability for. However others like AT&T rest on the laurels of recent court victories rather than make the necessary investments. Liability sharing is the only incentive to ensure that all carriers invest in toll fraud monitoring technologies. Like LEC's, they carry the fraud and they are positioned to have the greatest impact through effective detection, monitoring and reporting.

Arbitration or mediation would be a suitable solution in cases of toll fraud. The mere threat of arbitration would motivate all parties to develop more effective toll fraud prevention capabilities. Arbitration, preceding FCC involvement would reduce the regulatory burden of the FCC and would speed up dispute resolution. All parties would be more prone to negotiate shared liability rather than allow proceedings to get to the arbitration or litigation level.

IXC & LEC TOLL FRAUD MONITORING SERVICES

Inter-exchange and local exchange carriers have increased fraud detection service offerings, but they are structured for only the largest customers. Small customers cannot take advantage of the expensive services nor have these features been adequately marketed to them.

Fraud prevention features should be an integral part of every carrier service. Customers should be offered the ability to establish their own calling patterns, which would establish the toll fraud liability that they are willing to accept. The carriers would then monitor the lines and when customer-specific thresholds were exceeded, carry out the action (customer-notification, service shutdown) that the customer specified. Carriers could afford to offer such features because they could then remove themselves from the liability equation.

LAW ENFORCEMENT

The experience of ISLUA members has been consistent with the experiences of most toll fraud victims. The chances of getting a conviction against a toll fraud perpetrator are very low. The laws addressing toll fraud are inadequate and they are different in every state. The FCC must join with law enforcement authorities to



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encourage Congress to enact federal guidelines so state and local law enforcement officials have the tools to track and prosecute perpetrators of toll fraud.

WARNINGS

LEC's, long distance carriers and CPE manufacturers should all be required to issue warnings and to revise their tariffs to reflect their SHARED LIABILITY and responsibility for toll fraud. Part 68 should be amended to require equipment vendors to implement specific hardware and software functions to disable all features that have toll fraud potential. Customers should be allowed to decide the amount of toll fraud liability they want to accept rather than having it forced on them. In addition CPE manufacturers and distributors should be required to provide specific warnings, during the sales process and after purchase, in sales materials and training and technical documents regarding the toll fraud hazards and vulnerabilities inherent in their products. Feature-specific warnings should be provided for all new equipment and for all existing installed equipment. The FCC must stress that small CPE system owners are more vulnerable to fraud because they don't normally have trained telecommunications staff to rely on.

GENERAL COMMENTS

On page 11, paragraph 20, of the Notice of Proposed Rulemaking it states that many commenters oppose the petition and contend that the responsibility for unauthorized use of a PBX should be placed on the PBX owner. What this argument fails to take into consideration is that toll fraud consists of a number of unauthorized uses: unauthorized use of the LEC's local facilities, unauthorized use of the inbound carriers transport facilities, unauthorized use of the customers PBX, unauthorized use of the outbound carriers transport facilities, unauthorized use of the foreign carriers transport facilities, etc... There is not one single victim in this crime. Toll fraud is a multi-victim crime and if the victim must pay, then all victims should share in the liability. The ultimate solution would be to have the perpetrator pay, but most perpetrators do not have deep pockets, so that is not a viable solution.

In it's comment on page 12, paragraph 21, Litel said "because long-distance companies cannot distinguish legitimate PBX calls from fraudulent calls" carriers should not be held liable. US Sprint can! MCI plans to! So why can't LiTel, MidAmerican, AT&T and others distinguish legitimate PBX calls from fraudulent calls? They have the ability but they don't have the motivation to develop customer-specific monitoring solutions because they have



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little or no liability. We feel that they will not seriously consider developing solutions until they share in the liability equation.

CONCLUSION

I have not addressed every issue presented in the Proposed Rulemaking document. But, the issues covered are the ones that the membership of the International SL-1 Users association are the most vocal about. The ISLUA membership wants relief from the unreasonable terms of existing LEC and long distance carrier tariffs. We want relief from carrying 100% of toll fraud liability.

All of our members are willing to accept responsibility for protecting themselves from toll fraud, but they can't possibly do it alone. Even the most sophisticated, experienced CPE owners are vulnerable to determined hackers. Other means of monitoring and detection of toll fraud are necessary to reduce or stop the toll fraud problem.

The toll fraud problem can only be solved by a concentrated effort by all parties. Until all parties have financial incentives to participate in the solution, toll fraud will continue to be an unsolvable problem. Liability sharing will provide the financial incentive for all parties to do their part. **CPE OWNERS CAN'T DO IT ALONE.**

Thank you,

A handwritten signature in cursive script that reads "Gary C. Jensen". The signature is written in dark ink and is positioned above the typed name and address.

Gary C. Jensen, Chairman, ISLUA-UAC
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